

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is entered into by and between, North Star Terminal & Stevedore Company, d/b/a Northern Stevedoring & Handling ("North Star"), on the one hand, and Nugget Construction, Inc. ("Nugget") and United States Fidelity and Guaranty Company ("USF&G") (jointly "the Defendants"), on the other hand, to resolve North Star's claims for compensation arising out of work performed by it on the Homer Spit Upgrade, federal project no. DACW85-96-B-0017 (the "project"). This settlement agreement constitutes full and final satisfaction of all claims made or potentially made by North Star against the Defendants in regard to the project or the ensuing litigation.

RECITALS

WHEREAS North Star provided stevedoring services to Spencer Rock Products, Inc., consisting of loading rock onto Nugget's barge for the project; and

WHEREAS Nugget was the general contractor on the project and USF&G was its payment bond surety; and

WHEREAS Nugget and other indemnitors executed a GAI in consideration of USF&G posting the bonds Nugget was required to provide the project owner; and

WHEREAS North Star filed an action in United States District Court, Case No. A98-009CIV naming, among others, the Defendants, as parties to the action (the "lawsuit"); and

WHEREAS the parties desire to resolve any and all disputes regarding North Star's claims against the Defendants on the project,

NOW, THEREFORE, the parties agree as follows:

AGREEMENT

1. Nugget shall pay North Star the sum of Two Hundred Twenty Five Thousand Dollars (\$225,000) on the following terms:

- a. \$50,000.04 payable within 30 days of execution of this Settlement Agreement; and
- b. The remainder payable in equal monthly installments of \$14,583.33 commencing

on June 1, 2008 and continuing until final payment is made on May 1, 2009.

USF&G guarantees the payments shall be made by Nugget and, should Nugget fail to make any payment, USF&G shall make such payment on behalf of Nugget within 10 days after written notice has been received that Nugget has failed to make a payment.

2. North Star shall file a Stipulation for Dismissal after it receives the final payment from Nugget, with each side to bear its attorneys' fees and costs.

3. In consideration of the terms and conditions herein, North Star and Defendants hereby release and forever discharge each other and their officers, directors, shareholders, employees, agents, attorneys, consultants, insurers, and sureties from any and all actions, causes of actions, suits, controversies, claims, obligations, damages, liabilities, costs, attorney's fees, interest, expenses, consequential damages, and demands of every kind or nature whatsoever, known or unknown, whether such liability or responsibility arises by way of common law, statutes, contracts, tort or by any other means that relate in any way to work performed or monies claimed by North Star in regards to the project or the allegations made by North Star and its attorneys in the lawsuit; excepting the Defendants obligations under this Settlement Agreement.

4. North Star and the Defendants acknowledge and agree that they have each had an opportunity to review with their respective counsel the decision of the Alaska Supreme Court in the cases of *Witt v. Watkins*, 579 P.2d 1065 (Alaska 1978); *Young v. State*, 455 P.2d 889 (Alaska 1969); and *Totem Park & Barge, Inc. v. Alyeska Pipeline Services Company*, 584 P.2d 15 (Alaska 1978), and have contemplated these decisions as they may apply to this Settlement Agreement.

5. Nugget reaffirms its obligations to USF&G as set forth in the General Agreement of Indemnity between them, and accordingly, that it will confess Judgment in favor of UFS&G for any and all amounts USF&G may be required to pay North Star by reason of any Nugget

payment default under this Settlement Agreement. By their signature hereon the indemnitors on the GAI agree that a joint and several judgment may be entered against them along with Nugget. Presentation of this Agreement, together with a true copy of the instruments(s) showing payment(s) made by USF&G to North Star shall be a prima facia basis for entry of judgment by the Court. Nugget and the indemnitors waive service of process upon them, however, USF&G will forward a copy of all papers it intends to submit to the Court in connection with entry of the judgment no later than five days prior to the Hearing at which USF&G will present the confessed judgment to the Court for Entry.

6. North Star and the Defendants acknowledge and understand that this Settlement Agreement is a compromise of disputed claims relating to the project and that all payments or other consideration made pursuant to or by way of this Settlement Agreement are in no way an admission as to actual entitlement for these claims.

7. The interpretation and enforcement of this Settlement Agreement shall be governed by the laws of the State of Alaska (except its conflict of laws provisions), and any proceedings relating in any manner whatsoever to this Settlement Agreement shall be conducted in this Court.

8. This Settlement Agreement may be executed in counterparts and transmitted by facsimile without obviating or abrogating the effect of the covenants, terms, conditions, and provisions set forth herein.

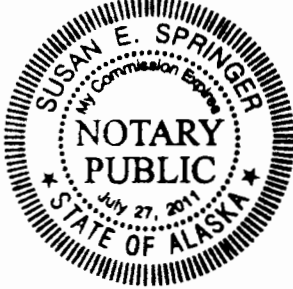
9. This Settlement Agreement represents the complete and entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior agreements, promises, representations, warranties, contracts, and covenants whether oral or written relating to the subject matter hereof.

**NORTH STAR TERMINAL & STEVENDORE
COMPANY D/B/A NORTHERN STEVEDORING &
HANDLING**

Dated: 8/22/07

By: [Signature]
Its: President

SUBSCRIBED AND SWORN TO before me this 22 day of August, 2007.



Susan E. Springer
Notary Public in and for Alaska
My commission expires: 7/27/2011

NUGGET CONSTRUCTION INC.

Dated: _____

By: _____
Its: _____

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 2007.

Notary Public in and for Alaska
My commission expires: _____

UNITED STATES FIDELITY & GUARANTY COMPANY

Dated: _____

By: _____
Its: _____

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 2007.

Notary Public in and for Alaska
My commission expires: _____

**NORTH STAR TERMINAL & STEVENDORE
COMPANY D/B/A NORTHERN STEVEDORING &
HANDLING**

Dated: _____

By: _____
Its: _____

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 2007.

Notary Public in and for Alaska
My commission expires: _____

NUGGET CONSTRUCTION INC.

Dated: 8/21/07

[Signature]
By: Justin Terwilliger
Its: Vice President

SUBSCRIBED AND SWORN TO before me this 21st day of August, 2007.



Tara-Jo Brown
Notary Public in and for Alaska
My commission expires: November 5, 2009

UNITED STATES FIDELITY & GUARANTY COMPANY

Dated: _____

By: _____
Its: _____

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 2007.

Notary Public in and for Alaska
My commission expires: _____

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**NORTH STAR TERMINAL & STEVENDORE
COMPANY D/B/A NORTHERN STEVEDORING &
HANDLING**

Dated: _____

By: _____
Its: _____

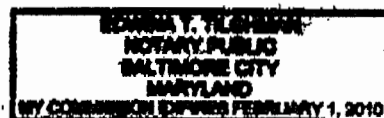
SUBSCRIBED AND SWORN TO before me this _____ day of _____, 2007.

Notary Public in and for Alaska
My commission expires: _____**NUGGET CONSTRUCTION INC.**

Dated: _____

By: _____
Its: _____

SUBSCRIBED AND SWORN TO before me this _____ day of _____, 2007.

Notary Public in and for Alaska
My commission expires: _____**UNITED STATES FIDELITY & GUARANTY COMPANY**Dated: 8/21/2007By: AMAD NASEEM
Its: CLAIM REPRESENTATIVESUBSCRIBED AND SWORN TO before me this 21st day of August, 2007.Edmund J. Tilden
Notary Public in and for Alaska Maryland
My commission expires: _____

APPROVAL

Approved as to form:

Dated August 20, 2007

Burr Pease & Kurtz
Attorneys for North Star

By: David Pease
David W. Pease,
Alaska Bar No. 8706040

Dated August _____, 2007

Oles Morrison Rinker & Baker LLP
Attorneys for Nugget

By: _____
Treager Machetanz,
Alaska Bar No. 8411127

Dated August _____, 2007

Barokas Martin & Tomlinson
Attorneys for USF&G

By: _____
Herbert A. Viergutz
Alaska Bar No. 8506088

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Attorneys for North Star

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Attorneys for North Star

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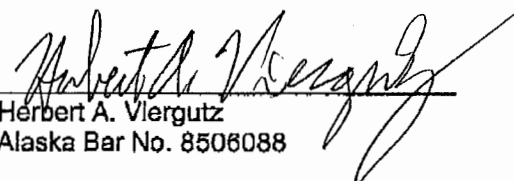
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Dated August 21, 2007

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Attorneys for USF&G

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